

FY 2005 PRESIDENT'S BUDGET  
Navy Working Capital Fund  
Military Sealift Command

**General Descriptions of Business Area:** The Military Sealift Command (MSC) acts as the single manager-operating agency for sealift services. MSC operates as a Working Capital Fund (WCF) in two separate capacities. This submission addresses MSC's Navy mission funded by the Navy Working Capital Fund (NWCF), providing support to the Fleet Commanders (FLTCOMs) and other DOD activities by providing unique vessels and programs. The second mission, providing sealift support for DOD cargoes in peacetime, is accomplished through the Transportation Working Capital Fund (TWCF) under the auspices of US Transportation Command (TRANSCOM).

**Outputs and Customers through the NWCF:** MSC supports the FLTCOMs for Pacific and Atlantic Fleets (COMPACFLT and COMLANTFLT), Naval Sea Systems Command (NAVSEA), Commander, Naval Meteorology and Oceanographic Command (CNMOC), Space and Naval Warfare Systems Command (SPAWAR), Strategic Systems Programs (DIRSSP), the US Air Force and the National Defense Sealift Fund (NDSF) with unique vessels and programs. The three programs budgeted through the Navy Working Capital Fund (NWCF) are:

1. **Naval Fleet Auxiliary Force (NFAF):** Provides support utilizing civilian mariner (CIVMARS) manned non-combatant ships for material support and contracted Harbor Tugs.
2. **Special Mission Ships (SMS):** Provides unique seagoing platforms.
3. **Afloat Propositioning Force - Navy (APF-N):** Deploys advance materiel for strategic lifts.

**ANALYSIS OF COST OF OPERATIONS (statistical):**

FY 2004 reflects decrease of \$66.9 million. This is primarily due to deactivations of various T-AGOS ships.

FY 2005 increase of \$246.8 million is due mainly to changes in Maritime Prepositioning Ships (MPS) Capital Hire, delivery of the T-AKE 1, annualization of USNS Bridge costs, and wage parity for CIVMARS. Costs also are impacted by the reactivation of the USNS Humphreys, and change in operating status for the USNS Kaiser, USNS Kilauea, and USNS Santa Barbara.

**Table One: COST (\$ in millions)**

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
DIRECT COST	1,634.1	1,547.9	1,777.3
COST OF G&A	154.1	173.4	190.8
TOTAL COST	1,788.2	1,721.3	1,968.1

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**REVENUE ANALYSIS:** FY 2004 revenue reflects changes in the operating status for the USNS Kilauea, decreases for the Medical Treatment Facility, and adjustments to afloat force protection reimbursables. FY 2005 revenue increase required to cover cost increases described above and attain a zero AOR.

**Table Two: REVENUE (\$ in millions)**

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
REVENUE	1,844.1	1,725.5	1,939.4

**ANALYSIS OF AOR/NOR:** The FY 2003 estimate contained in the FY 2004 President's Budget reflected a gain of \$9.3 million vice actual gain of \$55.8 million. The FY 2004 estimate contained in the FY 2004 President's Budget reflected a gain of \$22.1 million vice the current estimate gain of \$4.2 million. The FY 2005 rates were computed to result in a zero AOR.

**Table Three: AOR/NOR (\$ in millions)**

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
BEGINNING AOR	-31.3	24.5	28.7
REFUND	0.0	0.0	0.0
NET OP RESULTS	55.8	4.2	-28.7
PASSTHROUGH	0.0	0.0	0.0
ENDING AOR	24.5	28.7	0.0

**UNIT COST ANALYSIS:** MSC operates under three distinct unit cost goals - one for each of the programs. All programs have cost/per day as unit cost basis (costs include only per diem expenses in their annual operating budget (AOB) as per OSD guidelines.) Ship mix - e.g. harbor tugs and T-AOEs - impacts unit cost levels. Changes in all years are primarily a function of approved escalation, CIVMAR salaries, ship mix, and maintenance and repair.

**Table Four: UNIT COST**

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
NFAF	33,686	37,349	41,107
SMS	21,648	22,976	24,433
APF-N	73,445	73,706	82,208

**WORKLOAD INDICATORS:** The NFAF program decreases are due mainly to a reduction in tug support requirements; FY 2005 increases reflect delivery of the T-AKE 1, the reactivation of the USNS Humphreys, and the change in operating status for the USNS Kaiser, USNS Kilauea, and USNS Santa Barbara. Decrease in SMS program between FY 2003 and FY 2004 is due to deactivations within the T-AGOS program. APF-N

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workload is stable for FY 2004 and FY 2005. Increase in FY 2003 is the result of Operation Iraqi Freedom (OIF) requirements.

**Table Five - WORKLOAD (Per Diem Ship Days)**

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
NFAF	24,179	23,912	24,957
SMS	8,957	8,052	8,030
APF-N	7,396	6,222	6,205

**HOW WORKLOAD LEVELS ARE OBTAINED:** Budgeted workload estimates are provided directly by each funding sponsor. Operational requirements are received directly from the sponsor by message or other direct communication for each of these dedicated ships.

**CUSTOMER RATE PERCENTAGE CHANGES:** FY 2004 to FY 2005 rate changes reflect increases in ship maintenance and repair (e.g., number of overhauls) and increased operational requirements (e.g., associated fuel and CIVMARS costs).

**Table Six - CUSTOMER RATE CHANGES**

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
NFAF	12.8%	1.7%	5.0%
SMS	6.0%	-6.1%	11.2%
APF-N	2.9%	-4.2%	10.0%

**MANPOWER TRENDS:** *Afloat:* Major change reflects addition of T-AOE 6 class vessels and T-AKE 1 and the turnover of various SMS ships to contractor operations. *Ashore:* Growth is attributable to force protection efforts; engineering support; contracting and CIVMAR support personnel.

**Table Seven: Manpower by Major Program**

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
End strength			
NFAF	3,962	4,265	4,416
SMS	66	66	72
APF-N	4	4	4
Overhead	860	965	980
Total	4,892	5,300	5,472

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**ANALYSIS OF FINANCIAL CONDITIONS:** FY 2004 to FY 2005 changes in Revenue and Expense reflect increased reimbursable workload (e.g., force protection) and operating requirements. The latter reflects delivery of the T-AKE 1 (USNS Lewis & Clark); the USNS Bridge operating for a full year; the reactivation of USNS Humphreys; and changes in operating status for the USNS Sirius, USNS Kaiser, USNS Kilauea, and USNS Santa Barbara. Also, increased overhauls due to higher OPTEMPO and, increased CIVMAR costs due to wage parity (merger of east and west coast unions representing unlicensed civilian mariners).

**Table Eight: Financial Condition (\$000)**

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
REVENUE	1,844.1	1,725.5	1,939.4
EXPENSE	1,788.3	1,721.3	1,968.1
NOR	55.8	4.2	-28.7
REFUNDS	0.0	0.0	0.0
PASSTHROUGH	0.0	0.0	0.0
AOR	24.5	28.7	0.0

**OVERHEAD TRENDS/ANALYSIS:** These costs relate to MSC ashore personnel. Changes from FY 2004 to FY 2005 reflect the delay in moving COMSCLANT personnel in Norfolk (reducing FY 2004 and increasing FY 2005 costs).

**Table Nine: Manpower and Overhead Costs (\$ in millions)**

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
<u>End strength</u>			
Civilians	860	965	980
Military	197	198	192
Ashore Costs	154.1	173.4	190.8

**Capital Purchase Program (CPP):** Information Technology (IT/ADP) efforts represent the predominant share of CPP costs. These efforts include migration to a paperless environment; secure storage of engineering materials, ADPE for Shipboard local area networks (LANs) and systems development efforts.

**Table Ten: CPP Costs (\$ in millions)**

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
<u>Capital Investment</u>			
ADPE Hardware	4.5	5.3	7.6
ADPE Software/Development	9.1	7.4	7.4
Minor Construction	0.0	0.4	0.2
Total	13.6	13.1	15.2

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**Cash - Collections and Disbursements:**

**Table Eleven: Cash - Collections & Disbursements (\$ in millions)**

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Disbursements	1,727.2	1,615.3	1,840.9
Collections	1,850.4	1,803.1	1,933.0
Net Outlays	-123.2	-187.8	-92.1

**Performance Measures (Ship Availability):** Measures actual days against planned days ships are available to perform the intended function. Ensures ships are available for the mission to which assigned. Ensures compensation is granted only for days that ships meet contractual requirements and ship availability does not adversely impact mission.

**Table Twelve: Performance Measures (Ship Availability)**

	<u>Goal</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Ship Availability	95%	100.0%	100.0%	100.0%